

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Required Report - public distribution

**Date:** 12/29/2015

**GAIN Report Number:** TR5068

## **Turkey**

### **Food Service - Hotel Restaurant Institutional**

#### **HRI Food Service Sector Report for Turkey**

**Approved By:**

Elizabeth Leonardi, Agricultural Attaché

**Prepared By:**

Meliha Atalaysun, Agricultural Marketing Assistant

**Report Highlights:**

The year 2015 has been a difficult one for Turkey's hotel, restaurant and institutions (HRI) sector due to political and economic instability. This is expected to result in a slowing down of the average growth rate of the sector in 2015. The tourism sector is also expected to be affected. On the other hand, fast food consumption has increased as a result of the unstable economic and political environment.

Families with children started to switch from full-service restaurants to fast food outlets, where they can control their spending more easily. There are opportunities for American exporters in the food service sector in Turkey.

**Post:**

Ankara

## **Executive Summary:**

The Turkish economy is expected to finish 2015 with a growth rate of 3 percent and with an expected inflation rate of over 8 percent. Political instability led to economic instability and these factors affected the HRI sector negatively in 2015. National elections in the beginning of summer 2015 had to be repeated in November, and the sector's high season in between the two elections was marked with terrorist attacks and public unrest. Security concerns in the summer of 2015 led to a decrease in the number of tourists. These events were followed by the Russian sanctions following the downing of a Russian jet on the Turkey-Syria border in late November 2015, where Russians were advised not to travel to Turkey.

Despite the negative atmosphere, food consumption outside of the home is increasing in Turkey and is currently a \$16 billion market. As the per-capita income continues to increase, the sector revenues are also bound to increase in the upcoming years. This is very attractive for foreign fast food chains as well as high-end restaurants.

There are currently more than 3,800 hotels, 5,000 catering companies and 150,000 restaurants/cafes in Turkey. Despite the stagger in investments, Turkey has 343 shopping malls as of September 2015, 112 of which are in Istanbul.

The institutional food sector is growing by catering to private companies, military, and schools. In Turkish culture, eating is a form of socialization that brings together family or friends. Lately, Turkish eating habits have shifted towards eating out, largely due to factors such as urbanization, increase in per capita income, and the increase in the number of working women.

## **Report Table of Contents**

### **I. MARKET SUMMARY**

- A. Market Volume and Trends
  - 1. Coffee Shops
  - 2. Tourism
- B. Value of Imported Food
- C. Advantages and Challenges

### **II ROAD MAP FOR MARKET ENTRY**

- A. Entry Strategy
  - 1. Trade Shows
  - 2. Market Structure
- B. Market Structure
- C. Sub Sector Profiles
  - 1. Hotels and Resorts
  - 2. Restaurants
  - 3. Institutional Food Sector
  - 4. Shopping Malls
  - 5. Online Food Ordering

### **III. COMPETITION**

### **IV. BEST PRODUCT PROSPECTS**

### **V. POST CONTACT AND FURTHER INFORMATION**

## **SECTION I. MARKET SUMMARY**

## A. Market Volume and Trends

The Turkish food and beverage sector is a \$300 billion market with approximately 40,000 companies operating in this sector, 536 of which are foreign: of which 100 of them are German, 47 are Dutch, 30 are French, 29 are American, and 26 are Italian companies.

Turkey's population rose to 77.7 million people in 2014, with an increase of 1.28 million, where the median age has become 30.7, so half of the population is under 30 years of age. This young and urban population is one of the major factors that drive consumer behavior such as travelling and eating out more.

There are around 150 thousand cafes and restaurants in Turkey. The HRI sector is a US \$20 billion market in Turkey and 41 percent of the HRI sector's revenue is generated in Istanbul. Thirty percent of the revenue is generated in Bodrum, Antalya, Izmir, Bursa, and Ankara, and the remaining is generated throughout the rest of Turkey. Even though independent players (such as local cafes & bars, and Turkish cuisine serving restaurants) account for the majority of outlets in consumer food service in Turkey, chain companies are growing due to their financial power to open new outlets and offer attractive menus and promotions.

An increasing number of families are starting to have dual incomes and this also means many mothers have less time to prepare meals from scratch, which in turn means more dining out occasions. Cooking schools and blogs on food and drinks have also increased interest in cooking and dining in Turkey, encouraging more individuals to invest in the HRI sector. In 2002, when per capita income was around \$3,500, people ate out once a month. Now, per capita income has increased to \$10,700 and people eat out at least 3 times a month (this average is at least once a week in Istanbul).

In 2015, Yildiz Holding, Turkey's leading snack food producer, purchased G2M Company, a major distributor of over 10,000 food products to 17,000 HRI clients and retail points. G2M had closed 2014 with US \$214 million in consolidated revenues.

**Table 1: Value of overall sales and growth rates of the HRI sector in the past 5 years**

	2010	2011	2012	2013	2014
Million TL	35,695	35,693	37,128	38,804	40,615
Change compared to previous year	-8%	0%	4%	5%	5%
Million \$ USD	23,796	20,995	20,626	20,423	19,340
US/TL Average exchange rate	1\$ = 1.5 TL	1\$ = 1.7 TL	1\$ = 1.8 TL	1\$ = 1.9 TL	1\$ = 2.1 TL

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

### 1. Coffee Shops

High-end specialty coffee shops marked the year 2015. Specialist coffee shops recorded the highest current value growth of 23% in 2014 in the HRI sector due to the increase in number of outlets, growing interest from the younger urban population in modern coffee shop formats, and the presence of new Turkish specialty coffee shop chains. Considering that Turks introduced coffee to Europe in the 17th century, younger Turks have quickly embraced the new coffee culture after Starbucks entered the market in 2003, and other similar coffee shops began to emerge soon after (referred to as "second wave coffee shops"). Following the rapid spread of specialty and flavored coffee trends, being promoted both by international coffee chains and their Turkish competitors,

boutique coffee shops started to open in 2014 as part of the “third wave” trend. These shops are providing an alternative to their mass market rivals with unique and rare coffee varieties, and a ritualized coffee preparation. Their motto is “coffee is the new wine”. They also offer a limited variety of desserts to go with the coffee such as cakes and cookies.

As the general interest in coffee increases in Turkey, new events have started to take place. The Istanbul Coffee Festival was held for the first time in 2014 in order to support coffee culture and to create a meeting point for those who are interested in coffee. In 2015, it became the most visited coffee festival in the world, attracting 25,500 visitors.

## **2. Tourism**

The United Nations World Tourism Organization ranks Turkey as the 6th most popular destination in the world and the 4th in Europe. European Consumers Choice Organization selected Istanbul as Europe’s best destination in 2013. Antalya, located on the Mediterranean coast, is the tourism capital of the country. Sixty percent of the visitors that come to Turkey enter the country from Istanbul and Antalya. Fifty-one percent of 5 star hotels are located in Antalya and thirteen percent in Istanbul. In recent years, the tourism profile of Turkey is diversifying from sea-sun-sand (mass) tourism and embracing specialty areas such as cruises, health, culture, and religion tourism.

The top three nationalities that visit Turkey are Germans, Russians, and British. In the first 10 months of 2015 the number of tourists that visited Turkey decreased 1.4 percent compared to the same period of 2014 and became 33.6 million. However this decreasing trend is expected to become more significant in the upcoming months due to the loss of Russian tourists.

In November 2015, after the downing of Russian fighter jet by Turkey, Russia enforced some sanctions including an advisement for Russians not to travel to Turkey. He has also imposed some trade barriers for Turkish food exports to Russia.

Tourism revenues constitute almost 20 percent of Turkey’s total revenues from exports. Foreign tourists spend an average of \$760 and Turkish citizens living abroad spend an average of \$1,300 dollars during their visits to Turkey. Tourists spend almost an equal amount of money on their food as on their accommodation (each accounts to 20 percent of total expenditure).

Turkey has always been a popular destination with its natural and historic resources. In recent years, eco-tourism and health tourism have also been developing. The Ministry of Health formed a Health Tourism Department in 2011. As a result of such efforts, foreign patients coming to Turkey have increased steadily over the last four years. Providing cutting edge medical service with the latest techniques, public and private hospitals saw a substantial increase in the number of foreign patients. The Ministry of Health is targeting to attract 500,000 foreign patients in 2015 to generate US \$7 billion and 2 million foreign patients in 2023 to generate US \$20 billion.

### **B. Value of Imported Food**

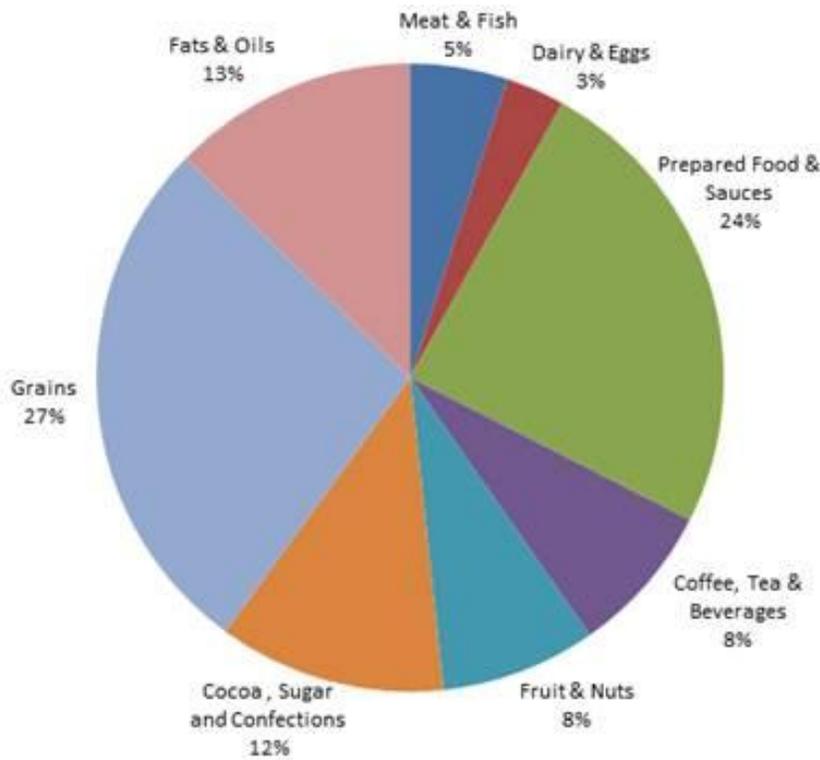
Turkey is the world’s leading producer of a variety of agricultural commodities such as hazelnuts, pistachios, figs and apricots. Turkey remembers when it was a global breadbasket and strives today to be self-sufficient. Government policies are influential in determining which products are imported.

Turkish food and beverage imports increased to \$5.6 billion in 2014. Turkey’s leading import category is grains, which is largely wheat (US \$1.5 billion) to feed Turkey’s large Inward Processing Regime for wheat flour, pasta and biscuit exports. The remainder is largely medium grain rice (US \$276 million) that competes with domestic production. The next largest category is consumer oriented products that includes prepared foods, sauces, yeast, vegetables, fruits, and nuts. Turkey is a major exporter to Europe and the Middle East, including dairy, prepared foods, and bakery ingredients.

Despite leading global production of several tree nuts, Turkey also imported \$238 million worth of tree nuts in 2014, primarily walnuts and almonds. The United States is the major supplier for tree nuts to Turkey (60 percent), followed by Chile (6.8 percent). Tree nuts are mostly imported in-shell and then cracked in Turkey due to cost reasons. The end products is then either re-exported or used domestically. Walnuts are consumed by the industry primarily as an ingredient in the traditional Turkish dessert *baklava*. Consumers prefer to eat walnuts and almonds mainly as snacks. Chandler is the preferred walnut variety by consumers due to its light color.

The Russian Federation was the largest supplier to Turkey’s food and beverage sector with 19.6 percent, followed by Indonesia (8.3 percent) and the U.S. with 6.4 percent in 2014. This table is bound to change in 2016 because Turkey is now considering retaliation against Russian products following the sanctions imposed by Russia on Turkish fresh fruit and vegetable exports. Ukraine has already announced that they would be willing to fill any agricultural needs Turkey might have from Russia. Therefore, Ukraine is expected to take leadership in the list of top exporting countries to Turkey.

**Chart 1: Categories of Turkey’s Total Food Imports**



Source: US Census Bureau Trade Data

**Table 2: U.S Exports of Agricultural Products to Turkey**

US Exports of Agricultural Products to Turkey (in millions of dollars)	2013 FY (Oct-Sep)	2014 FY (Oct-Sep)	2015 FY (Oct-Sep)
<b>Bulk Agricultural Products</b>			

Wheat	114.2	0	0
Corn	0	0	5.9
Rice	36.4	120.2	124.8
Soybeans	239.7	197.5	346.8
Cotton	789.5	852.6	489.1
Pulses	21.1	23.7	19.1
Tobacco	41.2	22.3	46
<b>TOTAL</b>	<b>1,263.6</b>	<b>1,232.4</b>	<b>1,041.5</b>
<b>Consumer-Oriented Agricultural Products</b>			
Poultry Meat and Products	73.1	58.4	32.9
Dairy Products	21.4	25.4	2.2
Processed Fruit	2.8	3.4	4.9
Processed Vegetables	18.2	13.5	23.8
Tree Nuts	218.4	296.5	289.6
Snack Foods (NESOI)	3.2	1.8	1.4
Prepared Food	31	27.2	33.4
Condiments & Sauces	1.6	1.1	1.1
Wine & Beer	1.1	2.3	2.1
<b>TOTAL</b>	<b>378.1</b>	<b>439.3</b>	<b>401.4</b>
<b>Other Agricultural Products</b>			
Fish Products	3.7	7.8	6.1
Distilled Spirits	14.8	19.3	16.6
<b>TOTAL Agricultural Products</b>	<b>2,176.9</b>	<b>2,066.3</b>	<b>1,619.7</b>

Source: USDA Global Agricultural Trade System; Note: Some products have been left off this table for the purposes of this report. Poultry meat import figures mainly reflect transshipments to Iraq.

As a leading tourism destination, one of the biggest challenges facing the HRI sector is the extreme taxation of alcoholic beverages. Currently, more than 60 percent of the price of an alcoholic drink is tax (Note: for details, please refer to GAIN report Number TR5049 "Alcohol Legislation and Taxes in Turkey"). The government is trying to limit the consumption of alcoholic beverages through these taxes and by enforcing new regulations that limit the sales of alcohol in restaurants and in retail stores. These restrictions on the sale of alcohol were a noted contributor to the public uprising in May 2013, which took place in the international media as the Gezi Park protests.

### C. Advantages and Challenges

U.S. food and beverages have a strong reputation and brand recognition in Turkey. Turkish consumers are introduced to U.S. foods and foreign cuisines through their travels abroad, and by incoming tourists to Turkey. As the HRI sector strives to serve the demands of tourists with foreign dishes, Turks also enjoy a wider variety in menus of hotels and restaurants. However, the regulatory system in Turkey is complicated and is subject to change without prior notice, creating potential market access difficulties. Currently, the most challenging requirement in Turkey is related to agricultural biotechnology under the Biosafety Law. Turkey has not authorized the use of any biotech traits in food products, and maintains a zero-tolerance policy.

**Table 3: Advantages and Challenges**

<b>Advantages</b>	<b>Challenges</b>
Significant increase in purchasing power and urbanization rate combined with the	Turkey's Customs Union with the EU leads to lower import duties, and regulatory advantage due to

good reputation of U.S. food products lead to a fairly constant increase in U.S. agricultural sales to Turkey.	harmonization creates price advantages for Europeans. EU and neighboring countries also enjoy lower freight costs and shipping time advantages.
Some U.S. products are better priced than local products, such as pulses, and in general are of better quality than the competition.	High value of the dollar against the Turkish Lira in recent months and the volatile exchange rate made some U.S. products more expensive.
Increased preference for organized retail stores leads consumers to discover new products, and to become more aware of imported brands.	High import duties are imposed on agricultural products (may go up to 135% on bulk agricultural commodities and up to 170% on processed food products)
An increasing young population is eager to buy and try imported products, and consumers have a positive perception of U.S. products in terms of quality, and are willing to pay more for it.	Local food processing sector is well developed and high quality goods are sold at competitive prices. Rich diversity in agricultural production provides ingredients for most sub-sectors.
There is a growing demand for specialized products such as Tex-Mex, diabetic and diet foods, sauces, ready-to-eat foods and frozen food products, which are imported, as well as locally produced.	High shelf fees charged by the large supermarket chains lead to higher costs for introducing new products into the market.
International retailers who market a wide range of imported products, and are well established in the sector, have a strong influence on purchasing patterns.	For confectionaries, there is a risk of products being copied by a local producer and being introduced into the market under a different name.
Despite periodical staggering, tourism is growing as well as the Turkish economy.	There is the overall problem of collection. Firms in all sectors are having difficulty in collecting their payments from customers because of instability in the country.

## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. Entry Strategy

Since import procedures are extensive and complex, HRI entities do not engage in direct importation. Specialized companies generally import food products and they also distribute these to hotels and restaurants in the major cities. Therefore, the best approach for new-to-market exporters is to contact importers and distributors first through specialized institutions such as TUGIDER (Association of Food Importers) and DEIK (Foreign Economic Relations Board) that are involved in international trade servicing.

TUGIDER has 148 members, the majority of which are food importing companies. This organization can be contacted at:

Phone: (+90-212) 347 2560; Fax: (+90-212) 347- 2570

Website: <http://www.tugider.org.tr/eng/index.htm>

DEIK is a government organization that assists Turkish businesses engaging in international trade. DEIK can be contacted at:

Phone: (+90-212) 339 5000; Fax: (+90-212) 270 3092

Website: <http://www.turkey-now.org>

The table below lists the top importers of processed products who supply the HRI sector.

<b>Company &amp; Contact Name</b>	<b>Distribution Channel</b>	<b>Location</b>
<b>Dolfin Food</b>	HRI, Retail	ISTANBUL
Mrs. Selin Yavuz		
Tel: 90-212-612 47 00		
Fax: 90-212-612 47 57 <a href="mailto:selin.yavuz@dolfin.com.tr">selin.yavuz@dolfin.com.tr</a>		
<b>Demak Trade</b>	Retail	ISTANBUL
Mr. Nikola Marincic		
Tel: 90-212-289-0033		
Fax: 90-212-289-8033 <a href="mailto:info@demaktrade.com">info@demaktrade.com</a>		
<b>Koza Food</b>	HRI, Retail	ISTANBUL
Mr Kerem Sezer		
Tel: 90-212-332-2040		
Fax: 90-212-332-0700 <a href="mailto:info@kozagida.com.tr">info@kozagida.com.tr</a>		
<b>ADCO Food Ind. &amp; Trade</b>	HRI, Retail	ISTANBUL
Mr. Randolph Mays		
Tel: 90-212-322-0400		
Fax: 90-212-322-0419 <a href="mailto:randy@kemergida.com">randy@kemergida.com</a>		
Foody & Lami Food Company Mr. Beri Benarolya	HRI, Retail	ISTANBUL
Tel: 90-212-451-1622		
Fax: 90-212-451-1379		
<a href="mailto:beri@fudi.com.tr">beri@fudi.com.tr</a>		
<b>Impeks Food</b>	Retail	IZMIR
Mr. Ogunc Yuncu		
Tel: 90-232-422-2622		
Fax: 90-232-463-3370 <a href="mailto:ogunc@impekscomp.com">ogunc@impekscomp.com</a>		
<b>Ekol Food</b>	HRI, Retail	ISTANBUL
Mr Onder Bilen		
Tel: 90-212-321-3171		
Fax: 90-212-321-4977 <a href="mailto:onder@ekolfood.com.tr">onder@ekolfood.com.tr</a>		

## 1. Trade Shows

A good way of getting to know the market and meeting potential buyers is to visit trade shows. Turkey holds a number of large-scale trade shows that attract visitors and participants from all around the world as well as from Turkey. The biggest of these trade shows is the EMITT (East Mediterranean International Tourism and Travel Exhibition) to be held on January 28-31, 2016 in Istanbul (at TÜYAP Exhibition Center) where HRI representatives from all over Turkey participate. It attracts more than 142,000 visitors and hosts 4,550 participants from 71 countries. Please also find below a list of trade shows featuring food and beverages which are closely followed by the HRI sector.

ANUFOOD Eurasia was organized for the first time in May, 2015 as a smaller scale version of ANUGA, and is bound to get bigger and more successful in the upcoming years.

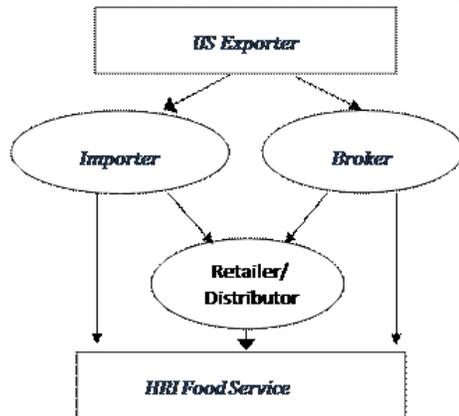
**Table 4: Major Food Shows in 2016**

Date in 2016	Major Food Trade Shows in Turkey in 2016	Location
February 10-13	<b>Anfaş Food Product</b> : International food and HRI equipment exhibition <a href="http://www.anfasfoodproduct.com">http://www.anfasfoodproduct.com</a>	Antalya
January 28-31	<b>Emmitt</b> : East Mediterranean Intl Tourism & Travel Exhibition <a href="http://www.emmittistanbul.com/?lang=en">http://www.emmittistanbul.com/?lang=en</a>	Istanbul (TÜYAP)
April 14-16	<b>ANUFOOD Eurasia (powered by ANUGA)</b> : International food and beverage products, refrigeration technologies, shop equipment, services and catering trade show <a href="http://www.anufoodeurasia.com/">http://www.anufoodeurasia.com/</a>	Istanbul (TÜYAP)
May 4-6	<b>Fi Istanbul</b> : Food Ingredients <a href="http://www.figlobal.com/istanbul/home">http://www.figlobal.com/istanbul/home</a>	Istanbul (ICC)
September 1-4	<b>Worldfood</b> : International food & beverage, food ingredients and food processing exhibition. Co-held with IPACK Turkey <a href="http://www.worldfood-istanbul.com/Ana-Sayfa.aspx">http://www.worldfood-istanbul.com/Ana-Sayfa.aspx</a>	Istanbul (CNR)
November 24-26	<b>Sirha</b> : 3rd International Food, Gastronomy, Hotel and Catering Services Tradeshow <a href="http://sirha-istanbul.com/en/">http://sirha-istanbul.com/en/</a>	Istanbul (ICC)
December	<b>Travel Turkey Izmir</b> : International Tourism Trade Show and Conference <a href="http://www.travelturkeyexpo.com/en">http://www.travelturkeyexpo.com/en</a>	Izmir

## B. Market Structure

Players in the market are heading towards vertical integration in an effort to minimize costs. Major producers are purchasing major distributors and catering companies are establishing distribution and storage facilities to broaden their client basis. In this respect, major importers of packaged food products are also acting as distributors and wholesalers of the imported products.

**Chart 2: Distribution network for HRI food service purchasers.**



Major importers also act as distributors to their HRI clients with their own fleet, but also make use of cargo delivery companies to supply food products to large supermarkets. The Inward Processing Regime (IPR) allows importers to benefit from low customs duties and tax exemptions provided that they process the imported raw material and export the end-product. This makes Turkey an attractive hub for transshipments to other Middle East and Central Asia countries.

## C. Sub-Sector Profiles

### 1. Hotels and Resorts

As with malls, the number of new hotels built in Turkey spiked in the past decade, and many more are in the pipeline. In the next three years, 65 new four and five star hotels with a total number of 39,000 beds are expected to be completed. Western hotel companies are expanding their presence in the market: Hilton Worldwide had 20 hotels under construction in 2013, Radisson has 15 Park Inn properties planned, while Wyndham has 9 more *Ramadas*, an additional *Wyndham*, and 20 *Super 8* hotels planned, to name just a few examples. Nearly 95 percent of all hotel projects in Turkey are funded by local investors.

Istanbul has always been an attractive destination for international chain hotels. In 2010, Istanbul was elected the Culture Capital of the World. It has also become a very popular wedding destination in recent years. Istanbul also serves as the center of conference tourism, and hosted 11 million visitors in the first 10 months of 2015.

However, tourism investments are no longer limited to the shores and major cities, and have spread to Anatolia. Currently there are over 3,800 establishments with a tourism license in Turkey, and 2,885 of these are hotels with a total bed capacity of over 710,000. The trend observed in the last five years towards an increase in the number of 3-4 star hotels seems to have slowed down, leaving way to an increase in 5-star and boutique hotels.

Another rising star of the Turkish tourism sector in recent years has been cruise lines. Cruise tourism quadrupled between 2003 and 2013. The number of tourists visiting Turkey by cruise lines increased from 581 thousand to 2.2 million, and the number of ships increased from 887 to 1,572 during this period. The top 5 ports carry more than 90 percent of all visitors; Istanbul, being the major point of destination, is followed by the ports at Kusadasi, Izmir, Antalya, and Marmaris.

Even though Istanbul’s tourism potential was unaffected by the negative events of the year, cruise tourism was hit badly especially in Izmir where 30% decrease was seen in 2015. Another trend in the hotel sector is the decrease in the number of local chain hotels, compensated by an increase in international chains. The reason behind this trend would be brand recognition and expected standards by international visitors. The table below shows the change in major 5-star chain hotel numbers compared to last year.

**Table 6: Top 10 Chain & Group Hotels in Turkey**

Hotel	Number of Hotels		Local/International
	2014	2015	
Wyndham Hotels	30	42	International
Hilton Worldwide	30	39	International
InterContinental Group	25	19	Local
Dedeman Hotels & Resorts	22	12	Local
Joy Hotels	16	16	Local
TUI Travel Hotels (TTH)	16	14	International
Rixos Hotels	16	11	Local
Accor Hotel Turkey	14	26	International
Marriott International	12	12	International
Starwood Hotels and Resorts	10	10	International

## 2. Restaurants

International fast food restaurants have existed in Turkey for 30 years, and the fast food sector reached US\$2 billion in revenues in 2015. Istanbul has the most fast food restaurants throughout Turkey with 45 percent, followed by Ankara, Izmir, and Bursa. The largest international fast-food chains operating in Turkey and the number of stores they have are provided in the below table. As the following table demonstrates, U.S. fast food franchises are dominant in Turkey. Although Turkey’s fast food consumption is climbing fast, it still lags behind European levels and this potential is encouraging not only for new players to enter the market, but also existing businesses to expand their operations.

**Table 7: Restaurant Company Profiles**

Company Name	Sales \$Mil (2014)	Number of Outlets/Service points	Type of cuisine	Purchasing Agent(s)
Tab Gida: - Burger King - Popeye's - Sbarro - Usta Donerci - Arbys	775	Fast Food (910)	Fast food	Direct
Komagene	14	Turkish Fast Food (800)	Turkish bulgur patty - fast food	Direct
ISS Catering (Sardunya)	75	Institutional (1000 clients)	Catering Company and fine dining restaurant	Direct, Wholesaler
Sofra	300	Institutional (480)	Catering Company	Direct, Wholesaler
Simit Sarayi	500	Fast Food (457)	Turkish bagels	Direct
Domino's	650	Fast Food (450)	Pizza	Broker
BTA (Gida 360)	165	Institutional; Airport (149) Ferry (82) Bakery (200)	Catering Company and bakery outlets in airports	Direct, Wholesaler
Mado	N/A	Family (356)	Turkish ice cream and traditional dishes	Direct
McDonald's	84.5	Fast Food (260)	Fast food	Direct
Starbucks	N/A	Fast Food (260)	Coffee shop	Direct, Wholesaler
Kahve Dunyasi	180	Fast Food (150)	Coffee shop	Direct / Broker
Yum! Brands: - Pizza Hut - Kentucky Fried Chicken	N/A	Fast Food (KFC:97) (PH:31)	Pizza, fast food	Direct
Little Caesars Pizza	82	Fast Food (87)	Pizza	Broker
Midpoint	70	Café-restaurant(35)	Turkish casual dining restaurant chain	Direct / Broker

(1 US\$ = 2.9 TL as of December 2015)

These fast food companies use local production whenever they can due to the difficulties in importing produce. Burger King primarily sources food items locally, importing only paper products directly from the UK. McDonald's not only prefers to work with local food manufacturers but it also produces its own beef to ensure quality and price competitiveness. Traditional Turkish restaurants specializing in fast food service also continue to emerge. These restaurants serve traditional flat bread with cheese or meat dishes such as 'lahmacun', 'pide', or meats like 'kebab' and other Turkish dishes, but in a new fast food style.

The fast food sector is a US\$ 2 billion sector in Turkey. In recent years, chains that target a higher-income segment are also entering the market. For instance, PF Chang's, Jamie Oliver, and

Tom’s Kitchen entered the market by opening restaurants in Istanbul. These foreign chains prefer to enter the market themselves instead of offering a master franchise.

More than half of the revenue made in all restaurants in Turkey is made in Istanbul, where there are approximately 17,000 restaurants. Of these restaurants, about 10,000 serve alcoholic beverages, 90 percent of which serve Turkish cuisine and the remaining 10 percent serve foreign cuisines, most of which are Italian or French.

Lately, despite the long reign of Italian cuisine, Asian cuisine is also increasing in popularity. With this trend, the variety of imported items is diversifying as well.

Turkey is a very promising market for a wide range of seafood products. Following the agreement on health certificates between Turkey and the United States, Turkish importers started importing high-end U.S. seafood products like lobsters, crabs, and scallops. The table below lists the highest unit value food imports to Turkey and the relevant countries of origin.

**Table 8: Highest value food imports**

Highest Value Imports	Imported mainly from
Lobster	Maine, USA
Black cod	Maine, USA
King crab	Alaska
Salmon and salmon caviar	Norway
Sauces (like Unagi, Soy and Yuzu)	EU
Wines and Hard liquors	EU and USA (California)

**3. Institutional Food Sector**

In the late 1970s and early 1980s, institutional food service providers began emerging in Turkey to provide food services to factories, schools, hospitals, private companies and public sector organizations. The institutional food service sector has developed rapidly since then, sometimes with the help of foreign joint ventures. It is now a \$7 billion market compared to \$2.25 billion in 2004, accounting for over 30 percent of the overall HRI sector. The size of the institutional food service market will continue to expand as public and private institutions outsource their catering services.

The number of catering companies increased rapidly in the past decade due to the public and private sector outsourcing of the food services. The number of catering facilities, which used to be around 300 in the 1970s, increased to reach around 5,000, employing 400,000 people and providing meals to about 7 million people daily - half of which live in Istanbul. The sector is now aiming to improve quality standards. Of the 5,000 catering companies, 3,800 are registered with the Ministry of Food Agriculture and Livestock (MINFAL), and the four largest companies in the sector – Sofra, Sardunya, Obasan, and BTA – are listed among the top 1,000 industry companies announced by the Istanbul Chamber of Industry.

The sector is striving to reach a market size of \$22 billion by the year 2023. In order to achieve this target, The Turkish Federation of Catering Associations (YESIDEF) is conducting various projects to increase sales to schools and the military. One of these projects is the “Feeding the New Generation” project which hopes to serve 17 million students and 555,000 teachers in 69,000 schools. In promoting healthy diets, sector representatives state that Turks spend \$30 billion each year on health expenses related to obesity, heart diseases, and diabetes, and that healthy food could be served in schools for only 20 percent of that amount (\$6 billion). As a response to these concerns, the government took action and banned the sales of sodas, chocolate, candy bars, muffins and other sweetened/processed food and beverages in school cafeterias. Instead, fresh

and dried fruits, vegetables, nuts, salads, and freshly squeezed fruit juices, milk, cheese and eggs can be sold in the cafeterias.

By expanding services provided to the military, the catering sector aims to create a market of \$1 billion. Currently 110,000 soldiers are served in 43 units around the country and the sector is trying to increase this number to 650,000 soldiers.

The sector is growing 10 percent annually and is composed mostly of small-to-medium-sized private enterprises with mostly local customers. Larger foreign catering companies such as Sodexo of France, Compass of England, and Klüh of Germany are also in the market. Catering Company BTA established its Gıda 360 Company in 2014 as a supplier to the HRI sector, which finished the year with close to US\$60 million turnover. Gıda 360 is supplying hotels, restaurants, and cafes with food and non-food items. Additionally, they import/export, store, distribute, and also provide consultancy to meet the needs of their clients.

The growth and institutionalization of the food sector in Turkey has also created an investment area for the education sector. The increasing demand for professional kitchen staff led private institutions to take initiative in developing cooking schools, which have reached \$9.7 million in revenues.

Following the usual pattern, the institutional food service industry also spread from Istanbul to other large cities such as Ankara, Izmir, Adana, Bursa, and Eskisehir. The main food inputs of this sector are fresh ingredients such as meat, grains, fruits, and vegetables. The use of imported food items is mostly limited to bulk commodity agricultural products such as rice, pulses, and vegetable oils.

Companies that do not cater food in their premises offer meal vouchers that can be used at nearby restaurants.

#### **4. Shopping Malls**

The history of shopping malls dates back almost 550 years with the world famous Grand Bazaar, which is still a major shopping destination in Istanbul today. The number of modern shopping malls in Turkey today has increased 6 times in the last decade and reached 343 in 2015, 112 of which are located in Istanbul. Modern shopping malls (those that are over 5 thousand square meters and have at least 15 shops) currently offer 10 million square meters of rental area, attracting 1.6 billion visitors. Based on these figures, Turkey is the 7th largest retail market in Europe (larger than Greek, Czech Republic, and Portuguese markets combined) and the 10th in the world.

Turkish consumers increasingly use shopping center food courts as an alternative to stand-alone locations. While the food courts in the shopping malls usually attract both domestic and foreign fast food restaurants, recently built higher-end malls also include full service restaurants of both local and foreign cuisines.

#### **5. Online Food Ordering**

With the spread of internet use, online food ordering has also become more common in Turkey, especially for the working people. Almost all large fast food restaurants have online ordering systems, but the market is currently dominated by [www.yemeksepeti.com](http://www.yemeksepeti.com) (meaning "food basket") which handles 99 percent of all online orders. Cashing in on the advantage of being the first in the market, the website today has over 700,000 registered users and receives 20,000 orders per day, linking consumers with 3,500 restaurants in 44 cities. In 2012 the company received a \$44 million investment from General Atlantic, which is among the 10 largest investment

funds in the world.

Having seen this success, other websites that traditionally sold everything but food have also started a groceries section. Some major supermarkets also have online stores and they deliver their customers' orders on the same day.

### Section III. COMPETITION

**Table 9: U.S. market share versus competitors by major product categories**

<b>Product Category</b>	<b>Major Supply Sources</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
<b>Dairy Products</b>	New Zealand 25% Cyprus 17.6% Germany 7.15%	Foreign suppliers provide high quality raw materials for Turkish export products, and finished products for the hotel/resort industry.	Turkish producers receive government assistance in production and marketing, such as a school milk program.
<b>Red Meat (beef)</b>	Bosnia 93.8% Poland 6% USA 0%	Turkey tightly controls the import of beef through the issuance of import certificates. The U.S. does not have a bilateral certificate for the import of beef.	Turkey is one of the most expensive markets for beef in the world. Most beef is derived from old dairy cows. Local suppliers rely on import protection and suffer from high feed prices.
<b>Poultry (live &amp; meat)</b>	UK 17.5% France 17% Bosnia & Herz. 14% US 12.3%	N/A	Turkey doesn't allow the import of poultry. Trade statistics represent product transshipping through Turkey's free trade zone in Mersin, destined for Iraq or other regional markets.
<b>Snack Foods</b>	Germany 23.6% Netherlands 17.5% Italy 12.7% USA 5.6%	Germany benefits from a Turkish diaspora that introduce German products. European products are more familiar and benefit from transportation and retail advantages as well as advantageous tariff rates. Turkish consumers are generally unfamiliar with U.S. brands.	Price, retail and distribution ties, familiarity
<b>Fish/Seafood</b>	Norway 49%	Norwegian	Although plentiful and

	Iceland 9.3% China 7% USA 2%	transportation expenses are much lower than frozen or chilled U.S. seafood.	inexpensive, Turkish seafood varieties are mostly seasonal. Alternative species such as salmon or shellfish must be imported.
<b>Tree Nuts</b>	USA 50.5% Uzbekistan 7.7% Chile 6.6% Philippines 5.3%	The U.S. is a leading supplier of walnuts and almonds to Turkey. U.S. products are demanded for their high quality and competitive prices.	Turkey is a leading producer of tree nuts, especially hazelnuts and pistachios. Local production is protected by high tariff rates (at an average of 43%). Turkey consumes many, but also exports to the Middle East region or Europe, where consumers also want varieties Turkey doesn't grow.
<b>Beverages</b> (alcohol and non-alcohol)	UK 21.4% Pakistan 14.5% Austria 10.4% USA 8.8%	Turkish consumers prefer tea to coffee, and bottled mineral water is the dominate beverage. Imported beverages tend to be sports or energy drinks, wine and spirits. U.S. beverages that fit between tea and sodas have strong potential in Turkey.	Turkish consumers prefer mineral water and Turkey produces fruit juices. Bottled mineral water dominates the domestic market. Turkey has built numerous restrictions to alcohol, but local wines are readily available.
<b>Pet Food</b>	France 30% Italy 16.8% Netherlands 13% USA 1.7%	The EU-Turkey Customs Union provides European products preferential tariff rates. U.S. pet food is highly regarded, but very expensive due to tariffs.	Domestic production is insufficient for demand. Local production is of lower quality, largely dry pet foods.

#### SECTION IV. BEST PRODUCT PROSPECTS

**Functional Food:** Despite a developed agricultural production, processed functional food varieties are still quite limited in Turkey. As the consumers become more health conscious they demand more gluten-free, diabetic, dairy-free, or organic products, but there are few items in these categories on the market shelves, and the ones that are available are quite expensive. There is certainly an opportunity for U.S. exporters to fill this gap in the Turkish market.

**Wine:** The popularity of wine as an alcoholic beverage is increasing and local consumption has doubled during the last four years to reach approximately 1 liter per year per person. Currently 75 million liters of wine is produced in Turkey and Turkish consumers are more and more willing to try new varieties. In 2014, US \$15.4 million worth of wine was imported from mainly France (52%),

Italy (25%), and Chile (10%). A wine culture is also developing in Turkey and the number of educational courses and events about wine varieties and manufacturing are increasing. Californian wines have a good market potential since they are held in high esteem.

**Whiskey:** Single malt scotch is rarely found in the Turkish market, as blended scotch is the whiskey of choice. Since whisky is viewed as an expensive and charismatic drink, it is popular among the young population as well as the middle-aged and older consumers with established taste preferences. As the tax rates on Turkey's favorite local alcoholic beverage, *raki*, increased continuously, the price gap between raki and whiskey started to diminish, and consumers started to switch to whiskey instead of raki. In 2014, whiskey registered the highest growth rate among all consumed alcoholic beverages in Turkey with 24 percent. Whiskey consumption increased from 4.9 million liters in 2013 to over 6 million liters in 2014. Popular whiskey brands sold in Turkey are Jack Daniels, Jim Beam, Johnny Walker, and J&B.

**Beer:** Beer consumption increased to 943 million liters in 2014 compared to 878 million liters in 2013. Having had no other alternatives but local brands in the market for over 2 decades, Turkish consumers feel like they are fed up with it and are more and more willing to try new brands and alternatives. Pubs and restaurants are offering foreign (mostly Belgian) beer varieties to differentiate themselves from the competition, and these beers have quickly become popular among customers. This trend also opens the door for premium U.S. beer brands, as customers are willing to pay double the price of what they are paying for local beer in these restaurants.

**Seafood:** Turkey is a very promising market for a wide range of seafood products. Following the agreement on health certificates between Turkey and the United States, Turkish importers started importing high-end U.S. seafood products like lobsters, crabs, and scallops. There are market opportunities for various other seafood products as well, such as Atlantic Mackerel, wild salmon, Alaskan crab, cod fishroe varieties, unagi, surimi sticks, and seaweeds.

**Dairy products:** Specialty cheese varieties (like parmesan, edam, brie, gouda, Emmental, Roquefort, etc.) and butter from the United States have potential in the Turkish market, however imports from EU countries currently dominate the market due to customs tax exemptions and shorter delivery times. In 2013, Turkey imported US\$ 29 million worth of dairy products from the United States, but this trade decreased to US\$ 17.7 million in 2014 and will be even lower for 2015. The U.S. and Turkey are currently negotiating a new health certificate for dairy products trade.

**Sauces and syrups:** In recent years the sauce tastes of Turkish consumers varied from the ketchup-mayonnaise duo to new alternatives. Barbeque sauces and salad dressings started to increase their shelf space. Various brands of sauces for salads, meat, and international cuisines are popular in Turkey and form an important part of the HRI sector. In particular, the increasing popularity of Asian cuisine is promoting demand for specialty herbs, sauces, and syrups. Fine dining restaurants mostly demand items such as Dijon mustard, tonkatsu, mitsukan, wine vinegar, chili sauce, wasabi, balsamic vinegar, etc. in this respect. Most sauces are currently being imported from Germany, the UK, France, Asian countries, and the United States.

**Others:** Food items used in sushi and in Chinese dishes are increasing in demand with the growing popularity of East Asian cuisine. The adoption of products popular in the West is a large part of modern Turkish life, so internationally known brand names are particularly well received. Exporters should be sensitive to brand positioning and be ready to invest in research and marketing to help their importing partners have a successful entry into the market. Exporters should also be aware that the Turkish biosafety regulation prohibits the use of genetically modified products for human consumption.

**Table 10: Competitive Situation  
Imports to Turkey from All Countries**

<b>Product Category</b>	<b>2014 Import Market Size (Volume)</b>	<b>2014 Total Imports (\$Mil)</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness for USA</b>
Tree Nuts	63,259 MT	238	43.2%	Depreciation of Turkish Lira against US Dollar led to higher import costs. Political instability in Turkey's re-export markets	Rising incomes translate into demand for new products; export demand requires mixing nuts not available in Turkey
Dairy Products (excluding cheese)	29,150 MT	137	65-180%	Turkey has set deadlines for the acceptance of the current bilateral milk and milk products certificate – extensions provided thus far.	Turkey is a consumer and exporter of milk products. Both demand high quality milk inputs. Further, the hotel and restaurant sectors demand quality products for which the U.S. has an advantage.
Wine & Beer	7.9 million liters	23.4	70% (additional taxes and fees apply)	Import tariffs, fees and sales tax raise the price of all spirits considerably. Strict advertising and marketing restrictions are implemented since early 2013.	Rising incomes have contributed to growing interest in spirits and cocktails. Brand recognition and little local competition are advantages for U.S. products.
Fish and Seafood	76,500 MT	181.7	11-35%	High prices limit the current market. Primary competition is from Norway.	Turkish cuisine includes varieties available from the Mediterranean and Black Sea. Consumers in large cities are seeking new varieties.
Pet Food	19,597 MT	37.7	7-8%	European products are less expensive and familiar; Biosafety Law prohibits imports that test positive for	U.S. product variety and perceived quality

				biotech content	
Snack Foods	27,015 MT	140	75%	Domestic production is abundant and inexpensive; Price sensitivity; Biosafety Law prohibits imports that test positive for biotech content	U.S. varieties not available on the market; perceived high quality

Source: Global Trade Atlas

## SECTION V. POST CONTACT AND FURTHER INFORMATION

For more information on import regulations and other agricultural sector reports for Turkey and other countries around the world, please refer to the FAS website at:

<http://www.fas.usda.gov/>

Here you can also sign up to receive reports via email from FAS on a wide variety of commodity, sector, and trade policy subjects.

Or contact us directly:

**USDA Foreign Agricultural Service:  
Office of Agricultural Affairs**

U.S. Embassy, Ankara  
Ataturk Bulvari No. 110  
Kavaklidere, 06100  
Ankara, Turkey

Phone Number: +90-312-457-7380;

Fax: +90-312-467-0056

E-mail: [agankara@fas.usda.gov](mailto:agankara@fas.usda.gov)